



MASON CAPITAL MANAGEMENT LLC

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**PART 2A OF FORM ADV
FIRM BROCHURE**

This Brochure provides information about the qualifications and business practices of Mason Capital Management LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 771-1200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Mason Capital Management LLC ("Mason" or the "Investment Manager") is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Mason also is available on the SEC's website at www.adviserinfo.sec.gov.

Date of Brochure: 29 March 2016



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Item 2 – Material Changes

Mason filed its most recent Form ADV Part 2A on March 28, 2015. This annual amendment contains updates to the description of the business practices of Mason and its affiliates, as described below:

- Item 4: Updated regulatory assets under management

Note: The above is a summary of changes made to the Brochure; investors are encouraged to review the Brochure in its entirety.



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Item 4 – Advisory Business

Mason Capital Management, LLC (“Mason” or the “Investment Manager”) is part of a family of registered and unregistered investment advisory entities, that rely on Mason’s status as a registered investment adviser in compliance with applicable law. Mason was established in July 2000 by Michael E. Martino and Kenneth M. Garschina, who are the principal owners of Mason. Since its founding by Mr. Martino and Mr. Garschina, Mason has grown to include 26 employees and partners in New York and London, and approximately \$6,965,984,909 in regulatory assets under management as of December 31, 2015. Mason’s United Kingdom affiliate, Mason Capital Europe LLP, which assists in effecting certain trades solely at the discretion of Mason, has been registered with the United Kingdom Financial Conduct Authority since November 1, 2008.

Mason manages all assets under management on a discretionary basis. Mason’s products are provided through pooled investment vehicles, including domestic limited partnerships, offshore private investment companies, and, from time to time and at the sole discretion of Mason, separately managed accounts (collectively, the “Funds” or the “Mason Funds”).

The Mason Funds

Mason serves as the Investment Manager for the Funds, and, in its sole discretion, from time to time may serve as Investment Manager for managed accounts. Mason’s principal investment objective is to achieve attractive capital appreciation over time, relatively independent of the returns of the overall equity and debt markets, by the use of a variety of investment strategies as Mason, in its discretion, chooses, but principally by employing three event-driven investment strategies: merger arbitrage, distressed securities, and special situations. Mason uses its experience and knowledge to select, opportunistically, those investments in these three areas which it believes will generate attractive risk-adjusted returns. Mason, as the Investment Manager, may, in its sole discretion, use other investment techniques and strategies which may, in its sole opinion, generate additional capital appreciation with an acceptable level of risk. There is no guarantee that these objectives will be met.

In efforts to achieve its investment objectives, Mason trades a variety of instruments, including, but not limited to common stock and other equities and options related thereto, derivative and convertible securities, debt instruments, warrants, forward and futures contracts, and other investments. The Funds (and managed accounts, if any) generally trade *pari-passu*, however, in some instances, the percentages of certain securities invested in each portfolio may differ depending on strategy or circumstance, at the Investment Manager’s discretion.

Mason reserves the right to revise and/or add to its existing strategies, and/or implement additional strategies, it sees fit in its role as Investment Manager for Mason’s Funds. The Funds for which Mason serves as Investment Manager include Mason Capital LP (the “Onshore Fund”) and Mason Capital Ltd. (the “Offshore Fund”). The Offshore Fund invests substantially all its capital through a “master-feeder” structure via Mason Capital Master Fund LP (“the Master Fund”), a Cayman Islands exempted limited partnership registered under the Exempted Limited Partnership Law (as revised) of the Cayman Islands.

Mason, in its capacity as investment manager, generally bases its investment decisions on both internally generated research and research obtained from outside sources. It evaluates the downside/upside potential as well as, in the case of securities subject to extraordinary corporate activity, the probability of completion of each transaction in order to calculate the expected return. It may use trading strategies to minimize its loss exposure in specific situations.

Item 5 – Fees and Compensation

The Investment Manager receives a management fee from the Funds at the beginning of each quarter to cover the Funds’ operating expenses and for the investment advisory and administrative services that it provides to the Funds. Mason deducts any management fee payable by the Funds from such Fund’s assets and charges allocable portions to each investor in such Fund. Investors are generally subject to an incentive allocation/performance-based fee calculated on the performance of each fund, as described in each Fund’s private placement memorandum (each, a “PPM”). Any performance-based fees are deducted from an investor’s account at the end of each fiscal year, and are subject to a “high water mark”/loss carry-forward provision. Any performance fees charged by Mason are in compliance with Section 205 of the Investment Advisers Act of 1940, and any applicable rules thereunder.

Mason’s fee structures are as follows:

Name of Client	Management Fee	Incentive Allocation
Mason Capital LP	1.5% per annum 1.0% per annum (for limited partners who were admitted to the Onshore Fund prior to March 1, 2004)	20%
Mason Capital Ltd	2.0% per annum	20%

Some investors have been granted, upon specific request, accommodations in addition to the standard fee structures described above. Any additional accommodations are considered on a case by case basis, and in the sole discretion of Mason. Investors in any future classes of Mason’s Funds, or investors in funds (or, if applicable, holders of managed accounts) that Mason may advise in the future may bear different fees than those described above.

As set forth more fully in each Fund’s offering memorandum, the Funds may pay all expenses incurred in the course of buying, selling, and holding securities, including, without limitation, all custody, accounting, administration, transfer, and legal fees, brokerage commissions, interest expenses, external research expenses (including travel), and the Investment Manager’s management fee (as described above). See Item 12 for information regarding Mason’s brokerage practices.



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Item 6 – Performance-Based Fees and Side-By-Side Management

The Investment Manager receives, and reserves the right to charge now and in the future, a performance-based fee for its management services, which is 20% of the net income, if any, attributable to each series of shares offered by the Funds during that fiscal year. The Investment Manager's right to receive the performance-based fee is subject to a so-called "high water mark."

As a general matter, Mason does not accept investments in any of the Funds or from any new investor who is not a qualified client and will not charge a performance-based fee to any managed account client that is not a qualified client, except as permitted by applicable rule or law.



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Item 7 – Types of Clients

The Investment Manager provides portfolio management services to the Funds, and in its sole discretion, may provide such services to managed accounts. Investors in the Funds may include individuals and family offices; pension plans; charitable institutions, foundations and endowments; funds of funds; and sovereign wealth; and, may include, directly or indirectly, principals and/or employees of Mason eligible to invest.

Mason does not accept investments in any of the Funds or from any new investor who is not a qualified client.

As of the date of this Brochure, each Fund has a minimum initial subscription requirement of US\$1,000,000 which may be reduced for any investor in such Fund at the discretion of the Directors or General Partner, as the case may be, of such Fund. Mason reserves the right to increase the minimum initial subscription requirement for its Funds and to impose in the future a minimum account size and other requirements for starting and maintaining a managed account.



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Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

All securities investments risk the loss of capital, and, as such clients should be prepared to bear this risk before investing.

See Item 4 for information regarding investment strategies and methods of analysis used by Mason to manage assets for its clients.

Risk of Loss:

While the Investment Manager devotes its best efforts to the management of the Funds' portfolios, there can be no assurance that the Funds will not incur losses. The nature of the securities to be purchased and traded and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. Many unforeseeable events, including actions by various government agencies, and domestic and international political events, may cause sharp market fluctuations.

An investment in the Funds is speculative and is suitable only for investors who can tolerate substantial risks. An investor may lose some or all of its investment. There is no assurance that the Funds will be successful and will achieve the investment objectives. A subscription for interests in a Fund should be considered only by sophisticated investors who have carefully read this document and the offering memorandum of the Fund in which an investor has an interest, and who understands the risks involved. An investment in a Fund should be made only after consulting with independent, qualified sources of investment, legal, tax, accounting and other advice. The risks of investing in a Fund include, without limitation, those set forth below.

General

The transactions in which the Funds will engage involve substantial risks. Growing competition may limit the Funds' ability to take advantage of trading opportunities in rapidly changing markets or to access investment opportunities believed to be attractive. No assurance can be given that investors will realize a profit on their investments in the Funds. Moreover, investors may lose all or some of their investments in the Funds.

Due to the nature of the Funds' trading and investment activities, the results of the Funds' operations may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods. The Funds are not a complete investment program and should represent only a portion of a Investor's portfolio management strategy.

Risks Relating to the Fund's Investments

Overall Investment Risk. All securities investments involve the risk of loss of capital. The nature of the securities to be purchased and traded by the Funds and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. The identification and exploitation of investment opportunities involve uncertainty, and no assurance can be given that the Investment Manager will be able to identify promising investment opportunities or to correctly exploit inefficiencies in the markets. In addition, the use of certain strategies and instruments, including derivatives such as options, that are themselves inherently volatile may increase the Funds' exposure to specific market movements. Many unforeseeable events, including actions by governmental authorities, such as the Federal Reserve Board, may cause sharp market fluctuations that impact the Funds' investments.



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Concentration in Management Strategies and Certain Investment Categories. Other than the limitations set forth herein, the Investment Manager is not required to take a diversified investment approach with the Funds, and accordingly significant portions of the Funds' assets may be concentrated in a small number of strategies, issuers, geographic regions or industries. To the extent the Funds concentrate investments in a particular strategy, issuer, geographic region or industry, its investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions with respect thereto.

Merger Arbitrage and Other Event-Driven Transactions. The Funds may purchase securities at prices slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer, spin-off or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer, spin-off or other similar transaction. If the proposed transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities purchased by the Funds may decline sharply, resulting in a loss. Losses may result even if the proposed transaction is consummated. In addition, the Funds may sell short securities to be issued in a merger or exchange offer in the expectation that the short position will be covered by delivery of such securities when issued. If the merger or exchange offer is not consummated, the Funds may be forced to cover its short position at a price that is higher than its short sale price, resulting in a loss.

The consummation of mergers, exchange offers, tender offers, spin-offs and other similar transactions can be prevented or delayed by a variety of factors. Offerors in exchange offers and tender offers customarily reserve the right to cancel such offers for many reasons, including an insufficient response from shareholders of the target company. An exchange offer or a tender offer by one company for the securities of another may be opposed by the management or shareholders of the target company on the grounds that the consideration offered is inadequate or for other reasons, and this opposition may result in regulatory action and/or litigation which delays or prevents consummation of the transaction, or the management of the target company may pursue defensive strategies, such as seeking a "friendly" merger with, or tender offer by, a company other than the offeror. Even if the transaction has been agreed upon by the management of the companies involved, its consummation may be prevented by the intervention of a governmental authority, litigation brought by a shareholder or, in the case of a merger, the failure to receive the necessary shareholder approvals, market conditions resulting in material changes in securities prices, and other circumstances, including, without limitation, the failure to meet certain conditions customarily specified in acquisition agreements. Even if the defensive activities of a target company or the actions of governmental authorities or shareholders fail to defeat a transaction, they may result in significant delays, during which time the Funds' capital will be committed to the transaction and the Funds will continue to pay interest on any funds borrowed by the Funds in connection with the transaction.

An exchange offer or a tender offer will often be made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, after the completion of a tender offer, and at a time when the market price of the securities has declined below the Funds' cost, the Funds may have returned to it, and be forced to sell at a loss, a portion of the securities it tendered.

Balance Sheet Arbitrage. The success of any use by the Investment Manager of a balance sheet arbitrage strategy will depend on the ability of the Investment Manager to identify and exploit the relationships between movements in different securities and instruments within an issuer's capital structure. If the perceived pricing inefficiencies underlying an issuer's securities fail to materialize as expected by the Investment Manager, a loss would result.

Investments in Distressed Companies. The Funds may invest in securities of issuers that are in a weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial and business risks that can



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result in substantial or total losses. It frequently may be difficult to obtain reliable information as to the financial conditions of troubled issuers. The market prices of such securities are also subject to abrupt and erratic movements and above-average price volatility, and there may be wide spreads between the bid and asked prices of such securities. The ability of such companies to pay their debts on schedule and the market values of their debt securities could be affected substantially by adverse interest rate movements, changes in general economic conditions, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant financial and business difficulties is particularly high. Such types of securities require active monitoring and may, at times, require participation in bankruptcy or reorganization proceedings by the Investment Manager on behalf of the Funds. To the extent that the Investment Manager becomes involved in such proceedings, the Funds may have a more active participation in the affairs of the issuer than that assumed generally by an investor. The Funds, however, do not generally make investments for the purpose of exercising day-to-day management of any issuer's affairs.

Special Situations. The Funds may also make speculative purchases of "special situation" securities. Such purchases may include securities that the Investment Manager believes to be undervalued, or may involve situations where a significant position in the securities of a particular company has been acquired by other persons or where companies in the same or a related industry have recently been the target of acquisition attempts. If the Funds purchase securities in anticipation of an acquisition attempt or reorganization, and no acquisition attempt or reorganization occurs during the timeframe anticipated by the Investment Manager, the Funds may sell the securities at a loss. A substantial period of time may elapse between the Funds' purchase of the securities and the acquisition attempt or reorganization. During such a period, a portion of the Funds' assets would be committed to the securities purchased, and the Funds will continue to pay interest on any funds borrowed by the Funds to finance such purchases.

In liquidations and other forms of corporate reorganizations, there is a risk that the reorganization will be unsuccessful, will be delayed or will result in a distribution of cash or a new security with a value less than the purchase price of the security originally purchased by the Funds.

The Investment Manager attempts to assess all of the foregoing risk factors, and others, in determining the nature and extent of the investment the Funds will make in specific "special situation" securities. However, many risks, such as the outcome of governmental approvals or the outcome of pending or threatened litigation, cannot be quantified.

Equity Securities, Generally. The Funds will engage in trading equity securities. Market prices of equity securities generally, and of certain companies' equity securities more particularly, frequently are subject to greater volatility than prices of fixed-income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumors of accounting irregularities.

Common Stock. The Funds may invest in common stock. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.

Securities of Small Capitalization Companies. The Funds may invest in securities of small capitalized issuers which may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, many small- and medium-size companies are not well-known to the investing public, do not have significant institutional



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ownership and are followed by relatively few analysts, and thus there may tend to be less publicly available information concerning such companies compared to what is available for companies that have larger market capitalizations. Finally, some securities traded in the over-the-counter ("OTC") market may have fewer market makers, wider spreads between their quoted bid and asked prices and lower trading volumes, resulting in comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalizations.

Short Sales. The Funds may engage in selling securities short. Short selling involves selling securities that are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security (and thus the cost to the Funds of buying those securities to cover the short position) could theoretically increase without limit. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. The securities may be "bought in" (*i.e.*, the Funds may be forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further. In a "short squeeze," a lack of supply and an excess of demand for a traded stock caused by short sellers seeking to cover their short positions forces the price upward. If the price of a stock starts to rise rapidly, the trend may escalate as an increasing number of short sellers seek to close out their positions quickly.

Debt Obligations, Generally. The Funds may invest in debt securities. Debt obligations are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the term of an instrument, and debt obligations that are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed-rate debt securities) and directly (especially in the case of debt instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed-rate debt instrument and falling interest rates will have a positive effect on price. Adjustable-rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree, depending on the characteristics of the reset terms, including the index chosen, frequency of reset, and reset caps or floors, among other factors. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. There is also a risk that the general condition of the debt markets may deteriorate. Prices of debt securities fluctuate and are susceptible to general stock market fluctuations and to changes in market confidence and perceptions of their issuers.

Leverage; Interest Rates. Part of the Funds' strategy may include the ability to borrow funds in order to be able to make additional investments. Such leverage may be obtained through various means. Credit market conditions generally may affect the Funds' access to borrowed funds. The anticipated use of short-term margin borrowings may also result in certain additional risks to the Funds. For example, should the securities pledged to a broker to secure a margin account decline in value, the broker may issue a "margin call" pursuant to which additional funds would have to be deposited with the broker or the pledged securities would be subject to mandatory liquidation to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the assets pledged to a broker as margin, the Investment Manager might not be able to liquidate assets quickly enough to pay off the margin debt and the Funds may therefore suffer additional significant losses as a result of such a default. Borrowing money to purchase a security may provide the Fund with the opportunity for greater capital appreciation but at the same time will increase the risk of loss with respect to the security. The amount of borrowings which may be outstanding at any time may be large in



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relation to the Funds' capital. In addition, the level of interest rates generally, and the rates at which funds can be borrowed in particular will affect the operating results of the Funds.

In addition, certain of the Funds' investments from time to time may be in securities of issuers which are themselves highly leveraged, which will increase the Funds' exposure to leverage-related risk. The amount of leverage that may be used by such issuers will increase their exposure to adverse economic factors such as downturns in the economy or deterioration in the conditions of such issuers or their respective industries. The interest rates at which the Funds and the issuers of its portfolio securities can borrow will affect the operating results of the Funds.

Availability of Margin Loans and Other Financing Arrangements. There can be no assurance that the Funds will be able to maintain desired financing arrangements under all market circumstances. As a general matter, the brokers and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircuts," financing and security and collateral valuation policies. Changes by brokers and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in substantial margin calls, loss of financing, forced liquidations of positions at disadvantageous prices (or on unfavorable terms), termination of prime brokerage, swap and repurchase agreements. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly or by multiple brokers and dealers and counterparties simultaneously.

Financial Markets and Regulatory Change. The laws and regulations affecting businesses continue to evolve in an unpredictable manner. Laws and regulations, particularly those involving taxation, investment and trade, applicable to the Funds' activities can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the interests of the Funds. The Funds and the Investment Manager may be or may become subject to unduly burdensome and restrictive regulation. In particular, in response to significant recent events in international financial markets, governmental intervention and certain regulatory measures have been or may be adopted in certain jurisdictions, including restrictions on short selling of certain securities in certain jurisdictions.

The current global economic and political climate continues to be one of uncertainty. A climate of uncertainty may reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, reducing the accuracy of the Investment Manager's financial projections. Furthermore, such uncertainty may have an adverse effect upon the companies in which the Funds make investments. Unpredictable or unstable market conditions may also make it more difficult for the Funds to exit and realize value from its investments. It is important to understand that the Funds could incur material losses even if it reacts quickly to difficult market conditions, and the Funds may suffer material adverse effects from broad and rapid changes in market conditions.

Political, Economic, and Other Conditions. The Funds' investments may be adversely affected by changes in general economic and market conditions or political events that are beyond the Investment Manager's control. For example, a stock market break, continued threats of terrorism, the outbreak of hostilities involving the United States, or the death of a major political figure may have significant adverse effects on general economic conditions, market conditions, market liquidity and the Funds' investment results. Additionally, a serious pandemic, such as avian or swine influenza, or a natural disaster, such as a hurricane, could severely disrupt the global, national and/or regional economies and/or markets. Other factors, such as changes in U.S. federal or state tax laws, U.S. federal or state securities laws, bank regulatory policies or accounting standards, may make corporate acquisitions less desirable. Similarly, legislative acts, rulemaking, adjudicatory or other activities of the U.S. Congress, the SEC, the U.S. Federal Reserve Board, the New York Stock Exchange, FINRA or other governmental or quasi-governmental bodies in the United States or elsewhere, agencies and regulatory organizations may make the business of the Funds less attractive. A negative impact on economic fundamentals and consumer confidence may negatively impact market value,



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increase market volatility and cause credit spreads to widen, each of which could have an adverse effect on the investment performance of the Funds.

Market Disruptions; Regulatory Risks of Hedge Funds. The Funds may incur major losses in the event that disrupted markets and/or other extraordinary events affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from the disconnection from historical prices during periods of market disruption is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Funds from banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses.

Market disruptions and the dramatic increase in the capital allocated to alternative asset management during recent years have led to increased governmental as well as self-regulatory organization scrutiny of the hedge fund industry in general. In addition, certain legislation proposing greater regulation of the industry is periodically considered by Congress, as well as the governing bodies of various jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Funds, the Investment Manager, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of the Fund, as well as require increased transparency as to the identity of the investors.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Master Fund (including any Incentive Allocation) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation could adversely affect the principals, employees or other individuals associated with the Investment Manager or the General Partner who were or may in the future be granted direct or indirect interests in the General Partner entitling such persons to benefit from the Incentive Allocation. This may reduce such persons' after-tax returns from the Master Fund and the General Partner, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Master Fund.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) the Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; (ii) the Fund and/or the Investment Manager may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; and (iii) the Investment Manager may be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Fund in relation to EEA portfolio companies including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult to raise capital.

Lack of Liquidity. The Investment Manager takes into account the liquidity of the Funds' assets in making investment decisions for the Funds. Certain investments (especially those in financially distressed companies or securities received following the reorganization of a financially distressed company) may have to be held for a substantial period of time before they can be liquidated to the Funds' greatest advantage or, in some cases, at all. In addition, the Funds may hold securities that are illiquid and for which no market exists.



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Illiquid securities carry the risk that a buyer may not be found for such securities. Also, the Funds may hold securities that are subject to legal or contractual restrictions which may restrict the Funds' ability to dispose of the securities when it might otherwise desire to do so.

Even in the case of more liquid securities, futures contracts and options thereon, it may not always be possible for the Funds to execute a buy or sell order at the desired price or to liquidate a position, either due to market conditions on exchanges or due to the operation of "circuit breakers" (in the case of equity securities) or daily price fluctuation limits (in the case of futures contracts and options thereon). During a single trading day, no trades may be executed at prices beyond the daily limit. In addition, the Funds may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or governmental authority may suspend or restrict trading, order the immediate settlement of a particular futures contract or order that trading in a particular futures contract be conducted for liquidation purposes only. Options trading may be restricted in the event that trading in the underlying instrument becomes restricted, and options trading may itself be illiquid at times, irrespective of the condition of the market of the underlying instrument, making it difficult to offset option positions in order to realize gain thereon, limit losses or change positions in the market.

Suspensions of Trading. For securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in certain or all securities that it lists. Such a suspension could render it temporarily impossible for the Funds to liquidate its positions, and thereby expose the Funds to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Funds to close out positions.

Terrorism, Pandemics, and Natural Disasters. The operations of the Funds and the Investment Manager, the exchanges, brokers, dealers and counterparties with which the Funds and the Investment Manager do business, and the markets in which the Funds and the Investment Manager do business could be severely disrupted in the event of a major terrorist attack or the outbreak, continuation or expansion of war or other hostilities. The situations in Iran, Iraq, Pakistan, Afghanistan, Egypt, Syria, Russia, Ukraine and North Korea, global anti-terrorism initiatives and political unrest in the Middle East and Southeast Asia continue to fuel this concern. Additionally, a serious pandemic, or a natural disaster, could severely disrupt local, regional or global economies.

Below Investment-Grade Securities. There is no minimum credit standard that is a prerequisite to the Funds' investment in any instrument, and a significant portion of the Fund's investments from time to time may be in fixed-income securities which are or are deemed to be the equivalent in terms of quality to securities rated below investment grade by a nationally recognized statistical rating organization such as Moody's Investors Service, Inc. or Standard & Poor's Ratings Services and accordingly involve great risk. Companies that issue such securities are often highly leveraged and may not have access to more traditional methods of financing. While all security investments have some degree of risk, these types of securities may be subject to greater market fluctuations and risk of loss of income and principal than are investments in lower yielding fixed income securities with higher ratings. It may take a number of years for the market price of such securities to reflect their intrinsic value. It is anticipated that some of the portfolio securities of the Funds may not be widely traded, and that the Funds' positions in such securities may be substantial in relation to the market for the securities. In addition, such securities generally are traded in the OTC marketplace, which is less transparent than the markets for securities traded on organized exchanges. The Funds also may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

Second Lien Loans. The Funds may invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is



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broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other forms of debt.

Bankruptcy Claims. The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Bankruptcy claims are usually illiquid and generally do not pay interest, and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated under federal securities laws. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. Under judicial decisions, the purchase of a bankruptcy claim may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which might result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Options Trading. The Funds may purchase and sell call and put options on securities and other investments. Both the purchase and the sale ("writing") of call and put options entail risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying instruments. In theory, an uncovered call writer's loss is potentially unlimited. The risk for a writer of a put option is that the price of the underlying instrument may fall below the exercise price.

Reliance on Corporate Management and Financial Reporting. In some cases, the Investment Manager will rely on the financial information made available by the companies in which the Funds invest. The Investment Manager generally will not have the ability to independently verify such financial information, and generally will be dependent upon the integrity of both the management of these borrowers and issuers and the financial reporting process in general. Material losses can occur as a result of corporate mismanagement, fraud and accounting irregularities.

Securities of Non-U.S. Issuers. The Funds intend to invest and trade in securities of non-U.S. issuers traded outside the United States. The economies and markets of certain non-U.S. countries may be vulnerable to changes in international trading patterns, trade barriers, other protectionist or retaliatory measures, and actual or potential defaults on sovereign debt obligations. Investments in non-U.S. countries also may be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or imposition of punitive taxes. In addition, certain governments may prohibit or impose substantial restrictions on foreign investment in capital markets or in certain industries. Any such action could severely affect securities prices, impair the Funds' ability to purchase or sell non-U.S. securities or otherwise adversely affect the Funds. Other risks of investing outside the United States may include, without limitation, difficulties in pricing securities and difficulties in enforcing favorable legal judgments in courts. The economies of certain non-U.S. countries may be based predominantly on only a few industries and may have higher levels of debt or inflation.

Non-U.S. Exchanges and Markets. The Funds intend to engage in trading on non-U.S. exchanges and markets. Trading on non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute trades and may also be subject to a variety of political influences and the possibility of direct governmental intervention. If settlement procedures are unable to keep pace with trading volume, it will be difficult to conduct trades. Any difficulty with clearance or settlement procedures on non-U.S. exchanges and markets may expose the Funds to loss.

Emerging Markets. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation, (ii) greater



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social, economic and political uncertainty including war, (iii) higher dependence on exports and the corresponding importance of international trade, (iv) greater volatility, less liquidity and smaller capitalization of securities markets, (v) greater volatility in currency exchange rates, (vi) greater risk of inflation, (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. Dollars, (viii) increased likelihood of governmental involvement in and control over the economies, (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies, (x) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers, (xi) less extensive regulation of the securities markets, (xii) longer settlement periods for securities transactions and less reliable clearance and custody arrangements, (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors, and (xiv) risks associated with the maintenance of Fund securities and cash with non-U.S. brokers and securities depositories.

Currency Exposure. Interests in the Funds are denominated in U.S. Dollars and will be issued and redeemed in U.S. Dollars. From time to time, certain of the Funds' investments may be invested in securities and other investments that are denominated in other currencies. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. The Investment Manager may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed. The Funds may, at times, take a fundamental position in one or more currencies. Accordingly, the Shares may at times be, directly or indirectly, subject to foreign exchange risks. In addition, prospective investors whose assets and liabilities are denominated predominately in other currencies should take into account the potential risk of loss arising from fluctuations in value between the U.S. Dollar and such other currencies.

Competition for Investments; Inadequate Return. There is currently, and will likely be, competition for investment opportunities by investment vehicles and others with investment objectives and strategies identical or similar to the Funds' investment objective and strategies. The proliferation of funds pursuing similar strategies (which makes it difficult for one fund to outperform others) may limit the Funds' ability to take advantage of trading opportunities in rapidly changing markets or ability to access investment opportunities believed to be profitable. Certain of the Funds' competitors may have longer track records, greater financial and other resources and may have better access to suitable investment opportunities. There can be no assurance that the Funds will be able to locate and complete suitable investments that satisfy the Funds' objectives or that leverage will be available with acceptable counterparties on acceptable terms. Whether or not suitable investment opportunities are available to the Funds, the Funds will bear management, fees, incentive allocations and other fees and expenses further described herein. No assurance can be given that the returns on the Funds' investments will be commensurate with the risks of investment in the Funds.

Mezzanine Loans. The Funds may provide financing to borrowers that may have difficulty obtaining financing from other sources. While the Investment Manager believes that this may provide an attractive opportunity for the Funds to generate profits, these borrowers may have difficulty repaying their loans to the Funds upon maturity. A borrower's ability to repay its loan may be adversely affected by numerous factors, including, without limitation, the failure to meet its business plan, a downturn in its industry or negative economic conditions. A deterioration in a borrower's financial condition and prospects may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Funds capitalizing on any guarantees they may have obtained from the borrower's management or other parties. Although the Funds will sometimes seek to be the senior, secured lender to a borrower, some, if not the majority, of the Funds' mezzanine loans may be subordinated to a senior lender, and the Funds' interest in any collateral would, accordingly, likely be subordinate to another lender's security interest.

Residential Mortgage-Backed Securities and Other Asset-Backed Securities. The Funds may invest in residential mortgage-backed securities ("RMBS") and other asset-backed securities ("ABS"). RMBS are subject to the risk of prepayment on the loans underlying such securities (including voluntary prepayments by the obligors and



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liquidations due to default and foreclosures). Generally, prepayment rates increase when interest rates fall and decrease when interest rates rise. Prepayment rates are also affected by other factors, including economic, demographic, tax, social and legal factors. To the extent that prepayment rates are different than anticipated, the average yield of investments in RMBS may be adversely affected. The interest rate sensitivity of any particular pool of loans depends upon the allocation of cash flow from the underlying mortgage loans. Certain types of RMBS contain complex interest rate and cash flow provisions and may be highly volatile with respect to market value, yield and total return to maturity. The underlying mortgages that collateralize the RMBS in which the Funds may invest will frequently have caps and floors which limit the maximum amount by which the loan rate to the residential borrower may change up or down (i) per reset or adjustment interval and (ii) over the life of the loan. Some residential mortgage loans restrict periodic adjustments by limiting changes in the borrower's monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization. In addition, because of the pass-through of prepayments of principal on the underlying securities, RMBS are often subject to more rapid prepayment of principal than their stated maturity would indicate.

The market value of RMBS will generally vary inversely with changes in market interest rates, declining when interest rates rise and rising when interest rates decline. However, RMBS, while having comparable risk of decline during periods of rising rates, usually have less potential for capital appreciation than other investments of comparable maturities due to the likelihood of increased prepayments of mortgages as interest rates decline. In addition, to the extent any RMBS are purchased at a premium, mortgage foreclosures and unscheduled principal prepayments generally will result in some loss of the holders' principal to the extent of the premium paid. RMBS are subject to whole loan risk, special residential mortgage loan risks and credit risk that the underlying receivables will not be paid by debtors or by credit insurers or guarantors of such instruments.

As described above with respect to RMBS, the values of some other ABS are subject to interest-rate risk and prepayment risk. A change in interest rates can affect the pace of payments on the underlying loans, which in turn, affects total return on the securities. ABS also carry credit or default risk. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in an ABS transaction. The value of RMBS and ABS may be substantially dependent on the servicing of the underlying asset pools and thus be subject to risks associated with the negligence by, or defalcation of, their servicers. In addition, any fees related to outside loan origination and servicing contracts could negatively affect returns. In certain circumstances, the mishandling of related documentation may also affect the rights of security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the assets may result in added costs and delays in addition to losses associated with a decline in the value of underlying assets. Furthermore, debtors may be entitled to the protection of a number of state and Federal consumer credit laws with respect to RMBS and ABS, which may give the debtor the right to avoid payment. RMBS and ABS may be highly illiquid, and the market value of RMBS and ABS may fluctuate widely. If the Funds are forced to liquidate its investments in RMBS or ABS to satisfy withdrawals, it may be difficult or impossible to do so on favorable terms and may result in losses.

Hedging Strategies. The Investment Manager, from time to time, may use hedging strategies in an attempt to reduce certain of the risks associated with the Funds' portfolio investments. However, hedging strategies may not always be possible or effective in limiting losses. Successful hedging activity requires skills complementary to those needed in the selection of the Funds' portfolio holdings. The success of the Funds' hedging activity will depend, in part, upon the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used for hedging purposes and the performance of the portfolio investments being hedged. The characteristics of many securities change as markets change or time passes. Consequently, the success of the Funds' hedging activity will also be subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. The purpose of entering into hedging transactions is to seek to reduce risk, but such transactions also limit the opportunity for gain if the values of hedged positions increase and thus may result in poorer overall performance for the Funds than if it had not engaged in such transactions.



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Unhedged Risks. A portion of the Funds' positions from time to time may be unhedged or only partially hedged. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between the hedging instruments used and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The Investment Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Moreover, it may not be possible for the Investment Manager to hedge against certain risks, *e.g.*, the risk of a fluctuation that is so generally anticipated by market participants that the Investment Manager cannot enter into a hedging transaction at a price sufficient to protect the Funds from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

Incentive Allocation. The allocation of the Incentive Allocation to the General Partner may create an incentive for the General Partner to cause the Master Fund to engage in transactions that are riskier or more speculative than would be the case if this special allocation were not made. The Incentive Allocation was set by the General Partner and the Funds without negotiations with any third party.

Substantial Charges to the Funds. The Funds will be subject to substantial charges, including the Management Fee, Incentive Allocation and the fees and expenses of the Funds. The trading performance of the Funds must exceed the amount of these charges in order to avoid losses.

Portfolio Turnover; Transaction Costs. The investment strategy of the Funds may involve frequent investment transactions. As a result, turnover and brokerage commission expenses of the Funds may exceed those of other investment funds and vehicles of comparable size. These expenses must be borne by the Funds regardless of the profitability of the Funds' investment activities.

Derivative Instruments. The Funds may buy or sell (write) both call options and put options, and when it writes options, it may do so on a "covered" or an "uncovered" basis. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Funds' option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which the Funds have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Funds may enter into. When the Funds buy an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of the Funds' investment in the option (including commissions). The Funds could mitigate those losses by selling short, or buying puts on, the securities as to which it holds call options, or by taking a long position (*e.g.*, by buying the securities or buying calls on them) in securities underlying put options.

When the Funds sell (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, the Funds would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Funds might suffer as a result of owning the security.

Swap Transactions; Risks Associated with OTC Transactions. Historically, OTC derivatives (including, without limitation, swaps, certain options and other instruments) typically have been settled on an individual basis by



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the counterparties to the derivative instrument. As a result, each party to an OTC derivative has been subject to the risk that the other party will default on its obligations under the terms of the derivative instrument. See *"Custodian and Counterparty Risk,"* below.

However, recently enacted legislation in the United States will require many derivatives that currently are entered into on an OTC basis to be cleared through a central clearinghouse. Other similar measures may also be proposed in other jurisdictions. It is expected that such recent legislation will lead to the standardization of the terms of any derivative instruments cleared in such manner. Any such standardized terms are yet to be finalized and, thus, it is not possible to assess the degree to which any such standardized terms might permit the Investment Manager to implement, or prevent the Investment Manager from implementing, the Funds' investment program. In such cases, if the Investment Manager were unable to utilize such alternate methods, the impact on the Funds could be substantial and adverse.

Additionally, there can be no assurance that any such clearinghouses or exchanges will in fact be established, or that they will provide clearing facilities or a market of sufficient size or scope to benefit the Funds. There can be no assurance that the Investment Manager would deem any such standardized terms to be suitable for implementing the Funds' investment program in all cases or in any particular case. Accordingly, the Funds may not trade or clear some or all of the derivative instruments on or through any such clearinghouse or exchange even if one were to become available. In such cases, the Funds would remain subject to counterparty risk with respect to such instruments.

Futures and Forward Contract Risks. Although the Funds are primarily engaged in investing and trading in securities, the Funds may hold positions in futures contracts from time to time. A principal risk in holding positions in futures contracts is the traditional volatility and rapid fluctuation in market prices. The profitability of such positions will depend primarily on fluctuations in market prices. Price movements for futures are influenced by, among other things, governmental trade, fiscal, monetary and exchange control programs and policies, weather and climate conditions, changing supply and demand relationships, national and international political and economic events, changes in interest rates, and the changing philosophies and emotions of market participants. In addition, governments from time to time intervene, directly and by regulation, in certain futures markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets to move rapidly. The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged financial instruments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied by the Funds will increase the risk of loss by the amount of additional leverage applied.

The Funds also may hold positions in forward contracts from time to time. Forward contracts are, like futures contracts, highly leveraged instruments. They are not traded on exchanges but rather are OTC transactions executed directly through forward contract dealers. There is no limitation on the daily price moves of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price. The Funds will be subject to the risk of credit failure or the inability of or refusal of a forward contract dealer to perform with respect to its forward contracts.

Mutual Funds and ETFs. Mutual funds and ETFs purchase and sell securities, such as stocks, commodities and bonds (or have exposures to such securities through swaps and other derivative instruments). The Funds may invest in mutual funds and ETFs, and some of the mutual funds and ETFs purchased for the Funds'



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portfolio may concentrate heavily in a particular asset category or sector. These categories could include, among others, sector funds, blue chip stock funds, small capitalization stock funds, growth funds, bond funds and international funds; such funds may specialize even further on the basis of country or region of the world and engage in the use of leverage and short selling. Investors in mutual funds and ETFs generally bear all of their expenses, including fees of the investment adviser and custodian, brokerage commissions and legal and accounting fees. As a result, investors will be paying two levels of advisory compensation -- the Management Fee and the Incentive Allocation to the Investment Manager and the General Partner and the advisory fee charged by the investment adviser of any mutual funds and ETFs in the Funds' portfolio. The foregoing fees and expenses may be expected to result in a higher cost of investment than would be the case if investors were to invest directly in the mutual funds and ETFs in which the Funds invest. As a result, the returns realized by the investors from the Funds' activities will be less than the returns Investors would realize from engaging in the same activities directly.

Investments in Initial Public Offerings. The Funds may, from time to time, purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, illiquidity, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospect of achieving them.

Custodian and Counterparty Risk. The Funds will be subject to the risk of the inability of banks, brokers and dealers and other custodians of assets of the Funds to safeguard assets and carry out their respective other duties and the inability of counterparties to perform with respect to transactions, whether due to bankruptcy, insolvency, failure to comply with rules designed to ensure the safekeeping of customer assets or other causes. There is a risk that any of such financial institutions could become bankrupt or insolvent. The bankruptcy or insolvency of any such financial institutions may result in the Funds losing all or a portion of its assets held with such financial institutions or the termination of any outstanding transactions. In addition, financial institutions may use sub-custodians and disclaim responsibility for any losses which may result therefrom.

While certain financial institutions are subject to regulatory requirements mandating the segregation of customer assets, if any of such financial institutions fails to do so, or is unable to satisfy a substantial deficit in such customer accounts, its other customers may be subject to risk of loss of their funds in the event of such financial institution's bankruptcy. In addition, the Funds may use counterparties and other financial institutions located in various jurisdictions outside the United States. Such local counterparties and other financial institutions are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Investors should assume that the insolvency of any non-U.S. counterparty or other financial institution would result in a loss to the Funds, which could be material.

In an effort to mitigate such risks, the General Partner and the Investment Manager will attempt to limit transactions and entrust assets to financial institutions that they believe are established, well-capitalized and creditworthy. Even the capitalization of a long-established financial institution may deteriorate rapidly, however, when it has substantial risk exposure to one or more asset classes that become distressed, its counterparties and customers lose confidence in its ability to perform its transactions and safeguard assets, or it encounters other severe difficulties. Furthermore, the commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between these financial institutions. Accordingly, concerns about, or a default or threatened default by, one financial



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institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other financial institutions. This is sometimes referred to as “systemic risk” and may adversely affect financial institutions with which the Funds interact and could therefore adversely affect the Funds. There can be no guarantee that the Funds could unwind transactions and withdraw assets from a once-creditworthy financial institution if such financial institution’s capital begins to deteriorate rapidly or in the event of significant market-wide liquidity and credit problems.

Inside Information. From time to time, the Investment Manager or its affiliates may, for a variety of reasons, come into possession of material, non-public information, and such information may limit the ability of the Funds to buy and sell investments. The Funds may not be free to act upon any such information. Due to these restrictions (or any standstill agreements it may enter into), the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. In addition, as a result of voting agreements or other arrangements relating to certain issuers, securities or instruments in which the Funds are invested, the Investment Manager or its affiliates may also be subject to restrictions on their ability to vote or take other actions with respect to such issuers or securities. In such situations, the Investment Manager may not be able to vote or take other actions with respect to such issuers or securities in the manner that it otherwise would believe to be in the best interests of the Funds.

Trade Errors. On occasion, errors may occur with respect to trades executed on behalf of the Funds. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, and when the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). Trade errors frequently result in losses but may, occasionally, result in gains. The Investment Manager will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, the Investment Manager will strive to recover any losses associated with such error from such third party. The Investment Manager will determine whether any trade error has resulted from gross negligence on its part, and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the Funds. The Investment Manager has established internal policies regarding the manner in which such determinations are to be made, but investors should be aware that, in making such determinations, the Investment Manager will have a conflict of interest.

Lender Liability and Equitable Subordination. It is anticipated that the Funds may be a lender from time to time. Judicial decisions have, at times, upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In addition, under common law principles, a court may elect to subordinate the claim of a lender to the claims of one or more creditors (a remedy called “equitable subordination”) if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors or (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors. A significant number of investments may involve participation in loans where the Funds are not the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting investments made by the Funds could arise without the direct involvement of the Funds.

Fraudulent Conveyances and Preferences. Various federal and state laws enacted for the protection of creditors may apply to the investments made by the Funds by virtue of the Funds’ role as a creditor with respect to such investments made by the Funds. For example, if a federal or state court adjudicating a lawsuit brought by an unpaid creditor or representative of creditors of a borrower were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment made by the Funds and the grant of any security interest or other lien securing such investment made by the



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Funds, and, after giving effect to the incurring of such indebtedness, the borrower was insolvent or its financial condition was approaching insolvency, then such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the bankruptcy of an issuer under the U.S. Bankruptcy Code, payments made to the Funds (or other value received by the Funds) in relation to its investments in such issuer could be subject to avoidance as a “preference” and recaptured if made within a certain period of time before insolvency, depending on a number of factors. Similar doctrines may apply under the laws of other jurisdictions, and the measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. If payments made by the borrower are voidable, whether as fraudulent conveyances or preferences, such payments generally can be recaptured either from the initial recipient (such as the Funds) or from subsequent transferees of such payments.

Changes in Investment Strategies. The investment strategies of the Investment Manager may be modified without prior approval by, or notice to, the Funds or its investors if the Investment Manager determines that such modification is in the best interests of the Funds. Any such modification could result in exposure of the Funds’ assets to additional risks not disclosed herein, which could be substantial.

Risks Relating to the Funds and the Investment Manager

Reliance on the Investment Manager. The Investment Manager will make all investment decisions on behalf of the Funds. The Investment Manager and its principals and affiliates are not required to devote substantially all their business time to the Funds’ business.

Dependence on Management. The Funds’ success depends on the skill and acumen of the Investment Manager, who will have investment discretion over the Funds’ assets. The death, incapacity or retirement of either managing member may adversely affect investment results.

Dependence on Key Personnel. The Investment Manager is dependent on the services of certain key personnel, and if the services of such key personnel were to become unavailable, the Directors and/or General Partner might deem it in the Funds’ best interest to terminate the Funds.

Contingent Liabilities. A Fund may find it necessary upon the withdrawal/redemption of an investor to set up a reserve for undetermined or contingent liabilities and withhold a certain portion of the withdrawal/redemption amount. This could occur, for example, in the case of lawsuits or other events that are not a part of the regular operations of the Funds.

Mandatory Withdrawal. The Funds may require an investor to redeem shares, or withdraw as a limited partner, through forced redemption under the circumstances described in the applicable PPM and Fund organizational documents.

Significant Withdrawals by Investors. At times, one or more Investors might hold Fund Interests that comprise a large percentage of the total interests in the Funds. If such an Investor were to withdraw all or a significant portion of its capital account in the Funds, the Investment Manager may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. A similar risk exists in relation to significant withdrawals and redemptions by investors in Mason Funds with investment objectives that are the same as, or overlap with, that of the Funds. In addition, any forced sale of certain of the Funds’ investments to meet withdrawal requests could adversely affect the value of and diversification of the Funds’ portfolio. Furthermore, if large withdrawals from the Funds occur, the Funds may be forced to sell



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illiquid holdings at less than optimal times and prices, or, alternatively, the Funds may sell liquid holdings and, consequently, the remaining Investors would be exposed to a higher concentration of illiquid holdings.

Investment Proceeds Realized Following Write-Downs. From time to time, the General Partner may write down an investment held by the Funds in part or in full. Such write-down will be reflected in the Funds' net asset value. In the event that an Investor withdraws some or all of its capital account following a write-down and the investment proceeds subsequently received by the Funds in respect of such investment exceed the amount of such write-down, no adjustment will be made to the withdrawal proceeds previously determined to be payable to such Investor.

Limitations on Transfer. The equity interests in the Funds have not been registered under federal or certain state securities acts, and are subject to restrictions on transfer contained in such acts. In addition, an investor may not sell, transfer, or assign its interest in any Fund other than pursuant to the terms of such Fund's PPM and organizational documents. Transferability may also be subject to certain restrictions pursuant to exemptions in the various states where interests are offered.

Increases in Assets under Management. The Investment Manager may continue to seek new investment capital and pursue new investment strategies, although, from time to time, the Investment Manager may close the Funds to new investments based on market conditions and perceived opportunities. The greater the amount of assets under management by the Investment Manager, the more difficult it may be for the Investment Manager to invest profitably for the Funds because of the difficulty of trading larger positions without adversely affecting prices and managing risk associated with larger positions. In addition, there can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management, which may require the Investment Manager to modify its investment decisions for the Funds because it cannot deploy all the assets in the manner it desires.

Possible Indemnification Obligations. Pursuant to the Funds' investment management agreements and organizational documents, the Funds are obligated to indemnify the Directors, the Investment Managers, and the General Partner and their affiliates and certain of their current or former principals, officers, directors, members, managers, employees and agents under certain circumstances. The Funds also may be obligated to indemnify certain other persons as well under agreements entered into with such persons. In the event that the Funds or a party which it has agreed to indemnify was named as a defendant in an action, arbitration, claim, demand, dispute, investigation, lawsuit or other proceeding, the Funds would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Funds or any indemnified party failed to prevail in the litigation. Accordingly, an Investor may be entitled to a more limited right of action than it would otherwise have received absent the limitations in these agreements. In the opinion of the SEC, indemnification for liabilities arising out of violations of the Securities Act is against public policy and therefore may be unenforceable. Nothing contained in these agreements will be deemed to be a waiver of any rights an investor may have under U.S. federal or state securities or other laws.

Litigation. Litigation can and does occur in the ordinary course of the management of an investment portfolio of securities. The Funds may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where the Funds exercise control or significant influence over a company's direction, including as a result of board participation. Such litigation can arise as a result of issuer defaults, issuer bankruptcies and/or other reasons. In certain cases, such issuers may bring claims and/or counterclaims against the Funds, the Directors, the Investment Manager and/or their respective principals and affiliates alleging violations of securities laws and other typical issuer claims and counterclaims seeking significant



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damages. The expense of defending against claims made against the Funds by third parties and paying any amounts pursuant to settlements or judgments would, to the extent that (i) the Funds have not been able to protect itself through indemnification or other rights against the portfolio companies or (ii) is not entitled to such protections or (iii) the portfolio company is not solvent, be borne by the Funds pursuant to indemnification obligations and reduce net assets.

Side Letters and Other Due Diligence Requests. The Funds may enter into letter agreements with certain strategic investors granting reduced fees, different liquidity, access to portfolio information and other terms which may not be afforded to the other investors in the Funds. Neither the Funds nor the Investment Manager are required to notify other investors of any such side letters or any of the rights or terms or provisions thereof, nor will the Funds or the Investment Manager be required to offer such additional or different rights or terms to other investors. Investors will generally have no recourse against the Funds in the event that certain investors receive additional or different rights or terms as a result of such side letters.

Classes or Series of Shares/Exempted Limited Partnerships are not a Separate Legal Entity. With regard to an investment made in the Offshore Fund, a Fund Capital Account will be created in the Master Fund for each Series of Shares issued by the Offshore Fund. The profits and losses attributable to a Series of Shares (or to a Fund Capital Account) will be allocated only to such Series (or to such Fund Capital Account). However, a creditor of the Fund (or the Master Fund) will generally not be bound to satisfy its claims from a particular Series of Shares (or a particular Fund Capital Account). Rather, such creditor generally may seek to satisfy its claims from the assets of the Fund (or the Master Fund) as a whole. Notwithstanding registration under the Exempted Limited Partnership Law (as amended), an exempted limited partnership such as the Master Fund is not a separate legal person distinct from its partners under Cayman Islands law. Under Cayman Islands law, any property of the exempted limited partnership will be held or deemed to be held by the general partner, and if more than one, then by the general partners jointly upon trust, as an asset of the partnership in accordance with the terms of the partnership agreement. Similarly, the general partner for and on behalf of the partnership incurs the debts or obligations of the exempted limited partnership.

The foregoing list of risk factors does not purport to be a complete statement of the risks involved in an investment in the Funds. Prospective investors should consult with their own advisors before deciding to invest in the Funds.

CONFLICTS OF INTEREST

The structure and operations of the Funds are subject to actual and potential conflicts of interest, including those set forth below.

Affiliated Investments. The Investment Manager may invest a portion of the Funds' assets in other investment funds, including investment funds with respect to which it or one or more of its affiliates, including the General Partner, may serve as investment manager (each, a "Mason Fund"). Accordingly, the Investment Manager has a conflict of interest between its pecuniary interest in causing the Funds to invest in Mason Funds thereby potentially increasing the compensation payable to it or its affiliates and its duty to act in the best interest of the Funds. In order to mitigate this conflict of interest, the Investment Manager will cause its affiliates to waive the management fees and incentive allocations otherwise payable to them with respect to the Funds' investments in Mason Funds.

The principals, officers and employees of the General Partner and the Investment Manager and their affiliates may also invest in Mason Funds of its or their choosing (including the Funds) and are not required to invest in all such Mason Funds. It is expected that, if such investments are made, the size of these investments will



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change over time. Such persons are not required to keep any minimum investment in any of the Mason Funds and such investments are not subject to the management fees or incentive allocations/fees that would be applicable to investments made by other investors.

Other Business Activities. The Investment Manager and its principals and affiliates will not devote their time exclusively to the management of the Funds and the business of the Funds. In addition, the Investment Manager, the General Partner and their principals and affiliates will perform similar or different services for others and may sponsor or establish other investment funds, vehicles and accounts (including other Mason Funds) during the same period that they provide services to the Funds. The Investment Manager, the General Partner and their principals and affiliates therefore will have conflicts of interest in dividing their management time, services and functions among the various entities for which they provide services.

Selection of Brokers and Dealers. Certain of the brokers and dealers utilized by the Investment Manager to effect portfolio transactions on behalf of the Funds may provide the Investment Manager with certain services and products that would otherwise be available to the Investment Manager and the Funds only for a cash payment. To the extent that the Investment Manager uses “soft dollar” commissions or spreads generated by such portfolio transactions to obtain items that would otherwise be an expense of the Investment Manager, such use of “soft dollar” commissions could be viewed as additional compensation to the Investment Manager. This creates a potential conflict of interest between the Investment Manager’s fiduciary duty to manage the Funds in the best interests of the Investors and its desire for the Investment Manager, its affiliate, to receive or direct these “soft-dollar” benefits. As a result of receiving such services and products, the Investment Manager has an incentive to use, and to continue to use, the brokers and dealers providing such services and products to effect portfolio transactions for the Funds so long as such brokers and dealers continue to provide such soft dollar benefits to the Funds.

The selection of a broker or dealer to provide clearing, settlement and prime brokerage services, execute portfolio transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by the provision by the broker or dealer of, among other things, capital introduction services and consulting services with respect to technology, operations, equipment or office space. Neither the Investment Manager nor the Funds separately compensates any broker or dealer for any of these other services.

Other Trading Activities. The Investment Manager and its principals and affiliates may trade for accounts other than the Funds’ account (which may include their own accounts and the accounts of family members) and they will remain free to trade for such other accounts and to utilize trading strategies and formulae in trading for such accounts which are the same or different from the ones that the Investment Manager will utilize in making trading decisions on behalf of the Funds, even if such accounts have same or similar investment objectives. Where investment opportunities are appropriate for one or more accounts, the Investment Manager will endeavor to allocate such investment opportunities in a manner deemed fair and equitable by the Investment Manager. Where trades are aggregated for multiple accounts, because of price volatility, occasional variations in liquidity, and differences in order execution, it might not be possible for the Investment Manager to obtain identical trade execution for all its clients. When block orders are filled at different prices, the Investment Manager will endeavor to allocate the executed trades on a fair and equitable basis. In addition, because the Investment Manager may receive differing compensation from its clients it may have a financial incentive to favor the accounts where its compensation is greater.

The Funds may make an investment in a position which is already held by one or more Mason Funds or a position that is subordinated or senior to or otherwise adverse to a position held by one or more other Mason Funds. For example, one Mason Fund may own debt of a portfolio company while another Mason Fund owns equity in the same portfolio company. It is possible that the activities or strategies used for other Mason Funds could conflict with the activities and strategies employed in managing the assets of the Funds and affect the prices and availability of the securities and instruments in which the Fund invests.



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Cross Transactions. From time to time, the Investment Manager will engage in cross transactions as set forth in Item 12. The Investment Manager's duty to be unbiased and fair to its clients on both sides of a cross transaction may pose an inherent conflict of interest. In an attempt to mitigate such conflict of interest and to ensure that it fulfills its duty to each client that is party to a cross transaction, the Investment Manager seeks to ensure the appropriateness of the transaction for each client and that it is fair to both sides of the transaction. In addition, to the extent brokers and dealers are utilized to effect the cross transactions, the Investment Manager will utilize unaffiliated brokers and dealers at normal commission rates, and the Investment Manager will receive no additional compensation as a result of the cross transactions.

Management Fees and Incentive Allocations. The terms of the Management Fees payable to the Investment Manager and Incentive Allocations allocable to the General Partner are not the result of arms' length negotiation. The Incentive Allocation arrangement may create an incentive for the Investment Manager to make investments that are more speculative or subject to a greater risk of loss than would be the case if no such Incentive Allocation arrangement existed. In addition, the Incentive Allocation, if made, could result in allocations payable to the General Partner which is greater than fees normally paid to others for similar services.

Non-Independent Director. Michael Martino, one of the Directors of the Offshore Fund, is a principal of the Investment Manager. Accordingly, he has a conflict of interest between his duty to manage the Offshore Fund in the best interests of the Offshore Fund and his pecuniary interest in the selection of the Investment Manager as the Funds' investment manager, thereby increasing the amount of compensation payable to his affiliate. In addition, the Directors have discretionary authority over all dividends made by the Fund. In view of the Funds' objective of seeking capital appreciation, the Directors generally do not intend to declare any dividends to the investors. To the extent any items of income or gain attributable to interests in the Offshore Fund are retained by the Fund rather than distributed, the Fund's Net Asset Value will be greater, thereby increasing the amount of the Management Fees payable to the Investment Manager.

Valuation. SS&C GlobeOp provides independent third-party verification of the valuation of the Funds' assets. The General Partner and the Investment Manager have a conflict of interest with respect to the valuation of the securities of the Funds because the Incentive Allocation and the Management Fee are tied to the value of the assets of the Funds. In order to mitigate this conflict of interest, the Investment Manager has established policies and procedures intended to ensure that the assets and liabilities of the Funds are valued in an appropriate manner, including the aforementioned third-party asset verification. An additional conflict of interest is also raised because each of the Investment Manager and the General Partner has an incentive to attract additional investors in order to increase the assets under management of the Fund, thereby increasing the Management Fee payable to the Investment Manager.

Voting Rights. As part of the Funds' investment strategy, the Funds may obtain voting rights with respect to one or more of its investments. The Investment Manager may determine in its sole and absolute discretion whether, or in what manner, to exercise such voting rights. In addition, the Investment Manager may combine the Funds' voting rights with those of other Mason Funds that have similar voting rights with respect to such investments in order to obtain a larger percentage of the total voting rights. By combining the Investment Manager's voting rights with those of other Mason Funds, the General Partner would lose its ability to exercise the Fund's voting rights independently in a manner that is exclusively in the best interests of the Funds.



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Item 9 – Disciplinary Information

The Investment Manager has no information to disclose applicable to this Item.



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Item 10 – Other Financial Industry Activities and Affiliations

The Investment Manager has registered as a commodity pool operator in respect of the operations of each applicable Fund, and pursuant to Section 4.7 of the Commodity Exchange Act, as amended, and the regulations promulgated by the Commodity Futures Trading Commission thereunder.

As described in Item 4, Mason serves as the Investment Manager of the Funds. Mason Management LLC, which is an affiliate of Mason, is the general partner of the Onshore Fund and the Master Fund; the Offshore Fund invests substantially all of its capital through a “master-feeder” structure in the Master Fund. Mason may sponsor or establish other investment funds and separately managed accounts during the same period in which it provides services to the Funds. The Investment Manager and its principals and affiliates may have a conflict of interest in allocating management time, services and function among the Funds and such other funds and accounts for which they may provide services. Mason addresses this potential conflict of interest through its Code of Ethics, which emphasizes compliance with Mason’s fiduciary duties owed to all clients and sets forth policies and procedures regarding the periodic review of all portfolios managed by Mason. See Items 11 and 13.

The Investment Manager, its affiliates, and their respective personnel, may also invest in the Funds, and in securities or other assets in which the Funds or other managed accounts invest, subject to applicable law and Mason’s Code of Ethics. The Investment Manager and its principals and affiliates may have conflicts of interest because they may have a financial incentive to favor the Fund(s) in which it is invested and/or to engage in “front-running” by engaging in personal securities trading based on knowledge of pending securities transactions on behalf of the Funds. Mason addresses any potential conflicts of interest through its Code of Ethics, which requires the allocation of securities among the Funds and the managed accounts (if any) on a systematic or equitable basis and sets forth policies and procedures for personal securities transactions. See Item 11.

Mason Capital Group, LLC (“MCG”), a newly-formed affiliate of the Investment Manager, is a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA), and the U.S. Securities and Exchange Commission. MCG is a direct participation program broker and holds no client funds, carries on no trading, and shares a parent with the Investment Manager. MCG provides marketing and some administrative support for the Investment Manager. MCG commenced operations in January 2015.

The Investment Manager, its affiliates, and their respective personnel have no other financial industry activities or affiliations to report.



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Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Mason has adopted a Code of Ethics for all of its supervised persons describing Mason's high standard of business conduct, and the fiduciary duty owed to Mason's clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All personnel must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees and other supervised persons of the Investment Manager will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees and other supervised persons to invest for their own accounts. Employee trading is continually monitored under the Code of Ethics, and the personal trading policies and procedures in the Code of Ethics are intended to reasonably prevent conflicts of interest between the Investment Manager and its clients.

It is also the Investment Manager's policy when purchasing a security for one of its Clients from the account of another of its Clients, for purposes of rebalancing its Clients' investments or any other purpose, to determine independently for each Client that such purchase or sale would be appropriate based upon the Client's investment/risk parameters, assets under management, liquidity and portfolio exposure. It should be noted that in general positions are re-balanced based on each Client's proportionate share of assets under management. Furthermore, such a transaction between Clients will only be done in a manner that is equitable to the Clients involved and only in the absence of any opportunity for the Investment Manager to earn any additional compensation (other than its customary advisory fees) as a result of the transaction.

Clients or prospective clients may request a copy of Mason's Code of Ethics by contacting Mason's Chief Compliance Officer at 212-771-1200.



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Item 12 – Brokerage Practices

Selection of Brokers and Dealers. The Investment Manager is authorized to determine the brokers or dealers to be used for each securities transaction for the Funds. The Investment Manager, in seeking to obtain best execution of portfolio transactions for the Funds, takes into account such factors as price, the broker's facilities and reliability, the ability of the broker to effect securities transactions, the broker's effectiveness in clearing and settling trades, the broker's ability to prospect for and provide liquidity, the broker's ability to accommodate third party research arrangements and other relevant factors.

Portfolio transactions for the Funds are directed to brokers on the basis of best execution and in consideration of the provision of, or payment of the costs of, certain services that are of benefit to the Investment Manager, its affiliates, and the Mason Funds, to the extent permissible by applicable law and regulations. These services may take the form of, among other things, research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, consultations, performance measuring data, on-line pricing, special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to the Investment Manager on-line access to computerized data regarding clients' accounts, clearance and settlement capabilities, reputation, financial strength and stability, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, and payment of all or a portion of the Funds' costs and expenses of operation, such as newswire charges, quotation services and periodical subscription fees, among other products. Accordingly, the Funds may be deemed to be paying for certain of these services with "soft dollars".

Although the Investment Manager believes that the Funds benefit from many of the services obtained with soft dollars generated by Funds' trades, the Funds do not benefit exclusively. The Investment Manager and the Mason Funds may also derive direct or indirect benefits from some or all of these services, particularly to the extent that the Investment Manager uses soft dollars to pay for expenses the Investment Manager would otherwise be required to pay itself. Accordingly, the Investment Manager may have an incentive to select a broker based on its interest in receiving such services, rather than based on the Funds' interest in receiving most favorable execution. The Investment Manager also reserves the right to direct the Funds' brokerage transactions to brokers who refer prospective investors to the Mason Funds. Brokerage and research services paid by one Mason Fund may be used to benefit all Mason Funds, and the Investment Manager does not allocate the specific costs or benefits of research among Mason Funds.

The Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if the Investment Manager determines in good faith that the commissions and/or spreads charged by a broker are reasonable in relation to the value of the products or services provided by such broker, the Funds may pay commissions to such broker in an amount greater than the amount another broker might charge.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, provides a safe harbor that permits an investment manager with investment discretion to obtain research and other products/services provided by a broker-dealer that provide lawful and appropriate assistance to the manager in making investment decisions on behalf of its clients if the manager determines, in good faith, that the commissions and/or spreads charged by such broker are reasonable in light of the services provided.



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As described above, the Investment Manager enters into arrangements with brokers providing for the use of soft dollars to pay for the cost of certain research products or services which fall within the “safe harbor” provision of Section 28(e). Mason’s brokerage activities are designed to stay within the safe harbor provision of Section 28(e). In the event that an item falls outside the Section 28(e) safe harbor, or due to changes in the law, soft dollars become unavailable, the Investment Manager reserves the right to charge research costs to the relevant Fund(s).

The Investment Manager has adopted policies and procedures to monitor all soft dollar activities and maintain effective controls. All soft dollar arrangements must be in writing, and any invoice that totals more than \$10,000 requires written authorization by Mason’s Chief Compliance Officer (“CCO”). The Investment Manager’s Chief Compliance Officer or her delegate reviews soft dollar arrangements with brokers prior to implementation, obtains statements from all soft dollar brokers listing these arrangements, and periodically compares such arrangements against the Investment Manager’s internal records. Mason periodically reviews these soft dollar broker relationships to ensure brokers are providing best execution as a part of its Best Execution Committee review meetings. Mason also retains documentation regarding its review process.

Clearing and Settlement. Clearing and settling functions normally include, among other matters, arranging for (i) the receipt and delivery of securities purchased, sold, borrowed and loaned, (ii) the making and receiving of payments therefor, (iii) custody of securities fully paid for or not fully paid for and, therefore, compliance with margin and maintenance requirements, (iv) custody of all cash, dividends and exchanges, distributions and rights accruing to the Funds’ account, and (v) tendering securities in connection with cash tender offers, exchange offers, mergers or other corporate reorganizations. The Funds clear and settle a majority of the Funds’ securities, options and derivatives transactions through Goldman Sachs & Co. (“Goldman Sachs”) and its affiliates. As an incentive for using their clearing services, Goldman Sachs provides, without additional charge, research and stock quotation services. The Funds are not committed to continue its relationship with Goldman Sachs for any minimum period, and the Investment Manager may also clear and settle some or all transactions through other organizations, which are also member firms of leading global exchanges.

Block Orders. The Investment Manager generally aggregates securities to be purchased or sold on behalf of the Funds in order to seek more favorable prices, lower brokerage commissions or more efficient execution. If an order is only partially filled as of the end of the trading day, then the quantity of securities allocated to Funds are generally allocated on a *pro rata* basis, based on the size of the original allocation to each such account, subject to adjustments for rounding, odd lots and certain other allocation considerations.

Cross Transactions. The Investment Manager may cause a security or a position to be traded between one or more affiliated funds or accounts managed by the Investment Manager or its affiliates where the Investment Manager believes such trade to be in the interest of both entities. The Investment Manager’s practice is to engage in cross transactions in limited circumstances including where the purchase and sale of the same security at the same time facilitates adjusting such Mason Fund’s portfolio allocations as a result of capital contribution and withdrawal activity so that the portfolios of the Funds maintain an approximately equal dollar weighting in portfolio securities in proportion to their relative assets. Such cross transactions may reduce price slippage risk and reduce brokerage costs for the Funds participating in the rebalancing transactions. To the extent brokers and dealers are utilized to effect cross transactions, the Investment Manager will utilize unaffiliated brokers and dealers at normal commission rates, and the Investment Manager will receive no additional compensation as a result of the cross transactions.



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Item 13 – Review of Accounts

The managing members of Mason Management, LLC, and the Investment Manager review the portfolio assets in the privately held Funds and, if applicable, the managed accounts, if any, on a daily basis or more frequently as circumstances warrant. The portfolios of the Funds and, if applicable, managed accounts, if any, are also reviewed by the Investment Manager's Chief Financial Officer ("CFO") and Chief Compliance Officer monthly or more frequently as circumstances warrant. In addition, the Investment Manager reviews the values of the securities held by the Funds monthly.

Client accounts are reviewed on a monthly basis, as further detailed in Item 15.



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Item 14 – Client Referrals and Other Compensation

The Investment Manager does not currently use client referrals or receive any economic benefit from a third party in connection with providing investment advice or other advisory services to its clients, and Mason has nothing to report for this Item.



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Item 15 – Custody

Mason may be deemed to have custody of certain client assets as a result of, among other things, fee payments for the service of its affiliate as general partner of the Onshore Fund and the Master Fund. Actual custody of client assets, however, is and will be maintained in accounts with a “qualified custodian” pursuant to Rule 206(4)-2 under the Advisers Act of 1940. Mason will notify clients in writing of the qualified custodian’s name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. The qualified custodians presently used by Mason are Goldman Sachs & Co., JP Morgan, Citibank, The Bank of New York Mellon, Barclays and Morgan Stanley (as specified in Item 8, and others, as warranted, with proper notification to clients).

If and where Mason has physical custody of client assets, such as client securities, Mason has implemented a policy to comply with Rule 206(4)-2. Subject to certain limited exceptions, Rule 206(4)-2 of the Advisers Act (the “Custody Rule”) provides that Client assets must be maintained with a “qualified custodian.” In the rare situation where Mason maintains physical possession of Client assets, Mason’s CFO will be responsible for ensuring that such assets are properly recorded and appropriately safeguarded. Specifically, in those rare circumstances, the CFO will ensure that each security maintained by Mason is “logged” in a memorandum to file that accurately describes all relevant details concerning the security and how Mason came into possession of it. Working with the CFO, the CCO will be responsible for ensuring that all assets maintained by Mason are securely stored in a safe that resides in Mason’s New York office. The Custody Rule provides that certain types of “privately offered securities” do not need to be held with a qualified custodian. Eligible “privately offered securities” include generally those securities that are: (i) acquired from the issuer in a transaction or chain of transactions not involving any public offering; (ii) uncertificated, and ownership thereof is recorded only on books of the issuer or its transfer agent in the name of the Client; and (iii) transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer. These securities will hereinafter be referred to individually as a “Privately Offered Security.”

The aforementioned relief is available to all advisers with respect to separately managed accounts, but available to private fund advisers only if the fund is audited and financial statements are delivered to investors according to the requirements of the Custody Rule. The SEC staff has clarified that if a fund does not meet the Custody Rule’s audit and financial statement delivery requirements and if a Privately Offered Security is not capable of being held by a qualified custodian (such as where a privately offered security is recorded only on the books of the issuer), the adviser may satisfy the qualified custodian requirement “by keeping the originally signed subscription agreement (instead of the security itself) with a qualified custodian or having the custodian act as nominee for the [private fund].” In the event that Mason opts to maintain physical possession over a Privately Offered Security, Mason’s CCO and/or CFO will log and secure such security in accordance with the procedures outlined above.

The SEC has provided no-action relief from the Custody Rule with respect to certain client assets inadvertently received by an adviser. The no-action relief is limited to assets received in any of three circumstances (referred to collectively as “Inadvertent Receipt”): in the form of a refund from the IRS, state or other government taxing authority; from the administrators of funds set up to distribute assets from a class action lawsuit or other legal action, if the Firm filed proof of claim on the client’s behalf; or in the form of stock certificates or dividends (e.g., as a result of lawsuit, bankruptcy, or other reorganization).



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Upon receipt of any assets (including, without limitation, cash, checks, stock certificates, and dividends), the CCO, or her designee, will determine whether receipt of such assets comes within the definition of Inadvertent Receipt, and, if so, will determine the identity of the Client to whom the assets are attributable. In addition, the CCO or her designee will, within five business days of Inadvertent Receipt: (a) forward the received assets to the current or former Client, or to the applicable qualified custodian; and (b) return to the third party that sent the assets to Mason any amounts not forwarded to the current or former Client. Finally, regarding any instance of Inadvertent Receipt, the CCO or her designee will generate and maintain a memorandum that describes all relevant details of the Inadvertent Receipt, including whether (and, if so, when) the Client assets were forwarded to the Client (or former Client) or a qualified custodian, or returned to third parties. The Investment Manager will confirm that the qualified custodians will send monthly statements to the Funds.

Where Mason is deemed to have custody, investors in all Funds shall also receive monthly reports from the applicable administrator regarding the investment performance and value of assets under management. To comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, and with CFTC Regulation 4.7 all Funds must be audited annually and must distribute their audited financial statements to each of its investors within 90 days of the end of the fiscal year.

Investors should carefully review the monthly reports and audited financial statements that they receive from Mason.



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Item 16 – Investment Discretion

The Investment Manager has discretionary authority from the Funds to select the identity and amount of securities to be bought or sold. As stated above, the Investment Manager will use its experience and knowledge to select, opportunistically, those investments in these three areas which it believes will generate attractive risk-adjusted returns. The Investment Manager may, in its sole discretion, use other investment techniques and strategies (other than event-driven investment strategies) which may, in the Investment Manager's opinion, generate additional capital appreciation with an acceptable level of risk.

The discretionary authority described above is established in the organizational documents and agreements of the Funds and the subscription documents signed by each Fund investor where applicable.



MASON CAPITAL MANAGEMENT LLC

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Item 17 – Voting Client Securities

The Investment Manager understands and appreciates the importance of proxy voting, and will vote proxies in the best interests of the Funds and in accordance with the procedures outlined in Mason's Compliance Manual. In the absence of a material conflict of interest (as determined by the Chief Compliance Officer) between the Investment Manager and its client, the portfolio managers and analysts make recommendations as to how proxies will be voted, and the vote is executed by the Chief Compliance Officer, in accordance with the procedures outlined in Mason's Compliance Manual. In the event of a material conflict of interest, the Chief Compliance Officer will make a determination as to how to vote the proxy based on the policies and procedures outlined in Mason's Compliance Manual.

Records of proxy materials and votes are maintained in our offices. A complete copy of Mason's Proxy Voting Policy and Procedures, along with a record of how proxies were voted, is available upon request to the Chief Compliance Officer.



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Item 18 – Financial Information

The Investment Manager has nothing to report for this item.